



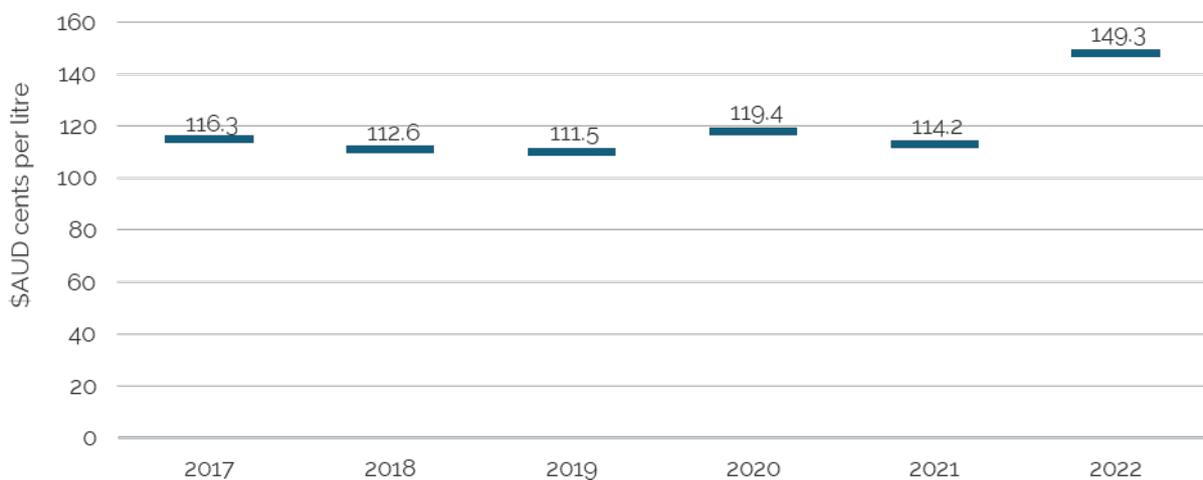
Wholesale price for fuel ethanol 2022

17 December 2021

Determination

The Independent Pricing and Regulatory Tribunal (IPART) has determined a reasonable wholesale price for fuel ethanol from 1 January 2022 to 31 December 2022 of 149.3 cents per litre (excluding GST) (Figure 1).

Figure 1 Determined wholesale prices for fuel ethanol (ex GST, \$nominal)



Note: Prior to January 2020, we had determined prices on a quarterly basis. 2017 to 2019 values represent the average of the quarterly wholesale prices determined by IPART. For the 2020 Determination, the wholesale price was set at 111.7 cents. However, we found an error in our model and after correction, this figure is 119.4 cents. More information is in our [factsheet](#) for wholesale price for fuel ethanol 2021.

Source: IPART import parity price model.

Why we set the wholesale price for ethanol

Under the NSW [Biofuels Act 2007](#) (Biofuels Act), fuel sellers must ensure that 6% of fuel sold is ethanol. This means that 60% of fuel sales are required to be E10 (which is made up of 10% ethanol, and 90% unleaded fuel).

Fuel sellers can be [exempt](#) from this requirement on various grounds. Since 2017, one of the grounds of exemption is that the wholesale price of fuel ethanol paid by retailers exceeds the [reasonable wholesale price determined by IPART](#).

How we set prices

Our approach to determining wholesale prices depends on the level of competition in the retail and wholesale markets. Where there is effective competition in one or both of these markets, it will protect customers from excessive prices.

In the NSW retail market, around 20% of the fuel sold is E10.¹ E10 competes with regular unleaded petrol ("U91"), and premium fuels, which limits the price that suppliers can charge for ethanol. If the wholesale price of ethanol is too high, the retail price of E10 would rise relative to other fuels and customers would switch fuels.

Because this competition protects customers from excessive wholesale prices, we set wholesale prices based on an estimate of the market price of importing ethanol (the "import parity price" or "IPP"). This approach reduces the risk of the determined wholesale price being set too low, which could impact the financial viability of ethanol suppliers and discourage new entry.

The wholesale price that we determine is based on a nine-month average (to one month prior to the commencement of the pricing period) of weekly import parity price estimates based on the lowest cost origin for ethanol from either the US or Brazil. We calculate this price in an excel model available on our [website](#)

We adopted this approach in 2016, taking into account the matters in the Biofuels Act, and after extensive consultation with stakeholders. Since then, we have periodically reviewed our approach and sought stakeholder feedback. More information on our methodology, and why we consider it is the most appropriate approach is available in our 2021 [ethanol market monitoring report](#).

Changes in the determined wholesale price

The 2022 determined price of 149.3 cents per litre is 35 cents or around 30% higher than the determined price for the previous period, which was 114.2 cents per litre. Nearly all the increase is due to the higher mill-gate price, which almost doubled. There were also minor increases in the average fuel excise and customs value duty (See Table 1, Figure 2).

The increase in the mill-gate prices are being driven by rising demand for fuel as global economic activity recovers since the onset of the COVID-19 pandemic.

For most of the nine-month IPP averaging period, the US was the lowest priced origin for wholesale ethanol. Brazil was the lowest price origin for around 9 weeks between late March to May, and for 4 weeks in November 2021.

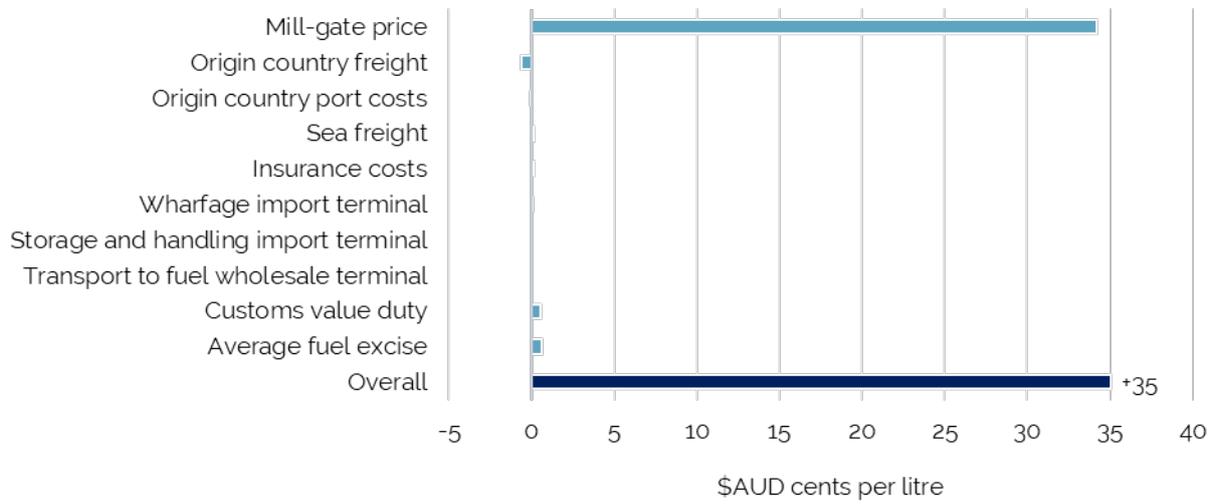
Table 1 Determined wholesale price for fuel ethanol in 2022 (\$AU cents/L, ex GST, \$nominal)

IPP Component	1 Jan 2021	1 Jan 2022	Change ^a
Mill-gate price	45.3	79.5	34.2
Origin country freight	7.4	6.8	-0.6
Origin country port costs	3.4	3.4	-0.1
Total Free-on-board price	56.1	89.7	33.6
Sea freight	10.2	10.4	0.2
Insurance costs	0.3	0.4	0.1
Wharfage import terminal (Sydney)	0.2	0.2	0.0
Storage and handling costs - import terminal	3.0	3.0	0.0
Transport from port to fuel wholesaler's terminal	1.5	1.5	0.0
Total transit costs	15.2	15.5	0.3
Customs value duty	0.7	1.2	0.5
Average fuel excise	42.3	43.0	0.7
Total landing costs (taxes)	43.0	44.1	1.2
Total IPP delivered to wholesale terminal (ex GST)	114.2	149.3	35.0

a. Numbers may not add due to rounding

Source: IPART import parity price model

Figure 2 Changes in the wholesale price components 2021 to 2022 (ex GST, \$nominal)



Source: IPART import parity price model

¹ IPART, [Determining ethanol wholesale prices and monitoring the retail market for E10 Final Report](#), September 2021, p 5.